



Regulation III - Fees

Public Consultation Meeting

March 17, 2025
10:30 a.m.

Zoom Meeting Link:

<https://scaqmd.zoomgov.com/j/1609866633>

Dial In: +1 (669) 254-5252

Meeting ID: 160 986 6633



Agenda



Introduction



Annual California Consumer Price Index (CPI) Based Fee Increase



Proposed Amendments with Fee Impacts



Proposed Amendments with Administrative Changes Only



Public Process



Open Discussion



Proposed Amended Regulation III - Fees



Introduction

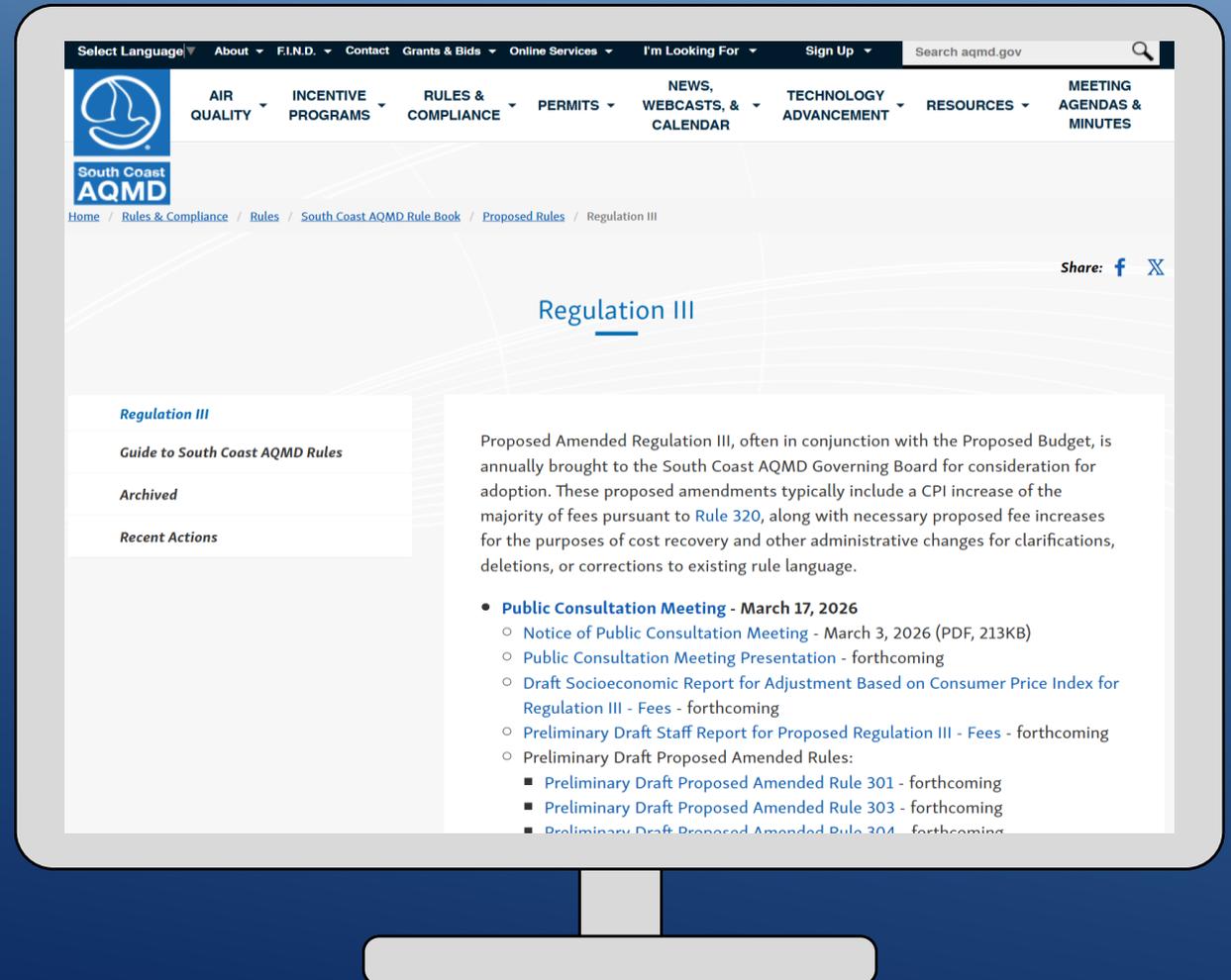


Proposed Regulation III Materials

Materials are available on the Proposed Rules and Proposed Rule Amendments Website:

<http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules/regulation-iii>

Point your smartphone camera here to be directed to the website





South Coast AQMD

- Local air pollution control agency
 - Largest of the 35 local air agencies in CA and in the U.S.
 - 10,743 square miles
 - 17 million residents
- Responsibilities
 - Regulate emissions from stationary sources
 - Develop and implement plans to meet national air quality standards
 - Permit and inspect about 28,400 affected businesses
 - Administer over \$200 million of incentive funding annually

Cleaning The Air That We Breathe...





Regulation III - Fees

- Regulation III includes a suite of rules with South Coast AQMD fee rates and fees for permitting, emissions, plans, monitoring and analysis, etc.
- Proposed amendments are routinely brought for South Coast AQMD Governing Board consideration with the annual budget
- Amendments typically include:
 1. Automatic annual consumer price index (CPI) fee increases
 - Governing Board may choose to forego annual CPI
 2. Fee adjustments to ensure costs are recovered appropriately
 3. Other administrative changes for clarifications to existing rule language



Proposed Amended Regulation III - Fees



Annual California
Consumer Price
Index (CPI) Based
Fee Increase



CPI and South Coast AQMD

- South Coast AQMD Rule 320 – Automatic Adjustment Based on Consumer Price Index (CPI) for Regulation III Fees
 - Annual California CPI-Based fee increase to cover cost of inflation¹
- Proposed CPI for 2026/2027: 3.2%

South Coast AQMD Recent CPI Increases

Fiscal Year	% Increase in CA CPI
2018/2019	3.4
2019/2020	3.5
2020/2021	2.8
2021/2022	1.7
2022/2023	6.5
2023/2024	5.6
2024/2025	3.5
2025/2026	3.0
2026/2027	3.2

Proposed

1. <https://www.dir.ca.gov/oprl/capriceindex.htm>



Annual CPI-Based Fee Increase (Rule 320)

- Fees updated to cover cost of inflation pursuant to Rule 320 –Automatic Adjustment Based on Consumer Price Index (CPI)
 - Upcoming automatic adjustment = 3.2%¹
 - Applicable to most fee rates in Regulation III
 - Rules 301, 303, 304, 304.1, 306, 307.1, 308, 309, 311, 313, 314, 315, 316, and 316.2
- Some fees excluded from automatic CPI adjustment
 - Fee rates set by state law
 - Return check fees in various rules, Enforcement Inspection Fees for PERP Program [Rule 301 (w)], Maximum Fees for Small Businesses [Rule 307.1 (d)(2)(D)], and State-specific Facility Fees in Rule 307.1 Table 1
 - Rule 311 (c) Air Quality Investment Program Fees
 - Rule 1180 Community Air Monitoring System Annual O&M Fees [Rule 301 (aa)(2)]

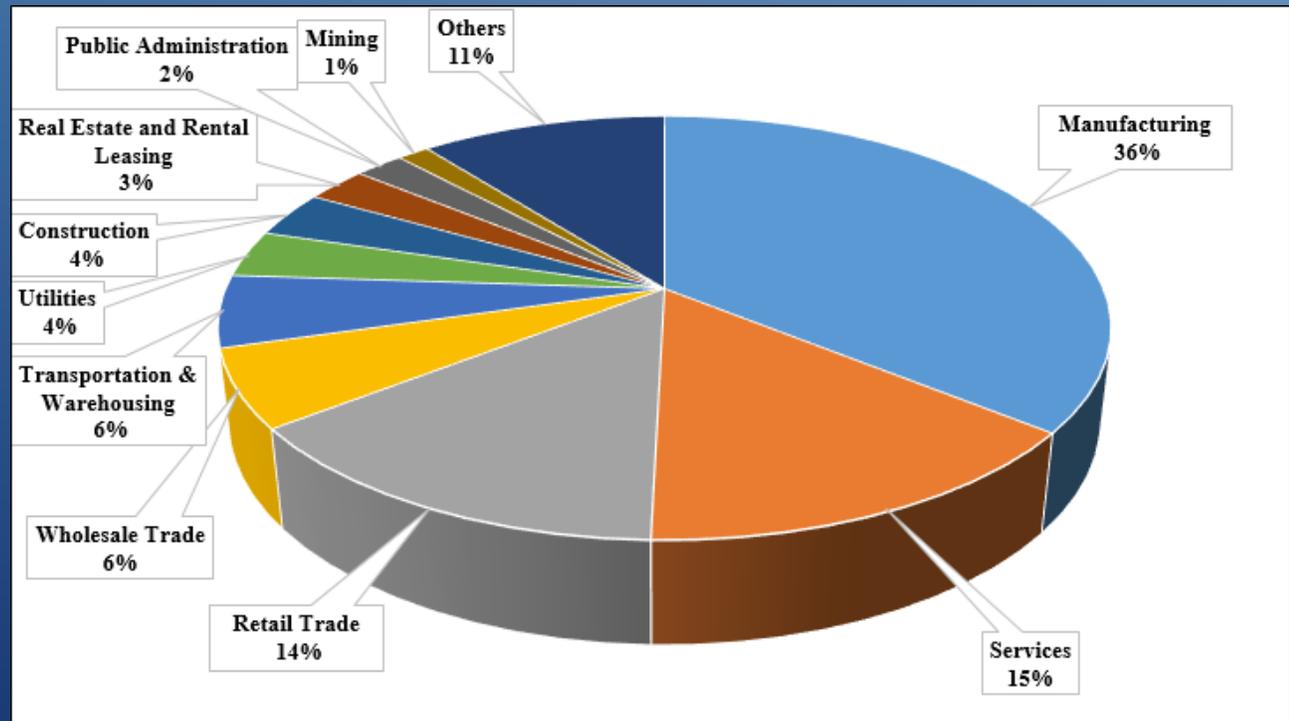
¹ <https://www.dir.ca.gov/oprl/capriceindex.htm>



Socioeconomic Impacts of CPI Adjustment

- Potential impacts of 3.2% fee increase are analyzed in Draft Socioeconomic Report released on March 13, 2026
- FY 2025-2026 fee revenue*
 - Total emission fees: \$21.19 million
 - Total permit processing fees and permit renewal fees: \$94.73 million
- Total fees paid by industries is small ($\leq 0.012\%$ overall) relative to their regional economic output
- CPI adjustment estimated to increase revenue by approximately \$4.11 million

All Major Fee Revenue by Sector for FY 2025-2026



*Source: March 2026 Draft Socioeconomic Report for Adjustment Based on Consumer Price Index for Regulation III – Fees, Tables 2 and 3 and Figure 1



Proposed Amended Regulation III - Fees



Proposed Amendments with Fee Impacts



Proposal 1

- Amend Rule 301
- Increase NOx Emission Fees



Proposal 2

- Amend Rule 301
- Add a Permit Fee Schedule for Laser Cutters



Proposal 3

- Amend Rule 301
- Administrative Processing Fees for Application Rejections



Proposal 4

- Amend Rule 303
- Clarify Hearing Board Filing Fees



Proposal 5

- Amend Rule 303
- Clarify Hearing Board Refund Fees



Proposal 6

- Amend Rule 303
- Remove Consent Calendar Fees



Proposal 7

- Amend Rule 303
- Correct/Update Toxic Air Contaminant Excess Emission Fees



Proposal 8

- Amend Rule 303
- Include a Fee for Verifying Excess Emission Calculation



Proposal 9

- Amend Rule 301
- Remove CEMS Review Maximum Fees



1. Amend Rule 301

Increase NOx Emission Fees

○ **Background**

- Facilities which emit more than 4 tons of any criteria pollutant pay fees per ton emitted
- Fees were set in 1977 with VOC as the highest and NOx as the lowest, fees have been raised since then but the ratio between fees has stayed the same
- NOx and VOC emissions are both precursors to ozone formation
 - In the past, VOC emission where the primary driver of ozone formation
 - More recently, modeling shows that VOC emissions reductions are important, but NOx emissions are the primary driver of ozone formation
- Resources used by staff (e.g., time spent) to address NOx and VOC are now near equivalent

○ **Key Proposed Changes**

- Raise NOx emission fees to same rate as VOC emission fees
- Fees increased gradually over three years, 50% in first year, 25% in second year, and 25% in third year



2. Amend Rule 301 New Permit Fee Schedule for Laser Cutters

- **Background**
 - Permit application and renewal fees are determined by Table IA or IB in Rule 301
 - Permits with similar evaluation and processing times are grouped by Schedule
 - Laser Cutters are not currently listed under any fee schedule
 - Unlisted equipment is assigned schedule C
 - Similar permit evaluation and processing time as for plasma arc cutting that is under schedule B1
- **Key Proposed Changes**
 - Add Laser Cutters to Schedule B1, which has an identical permit application fee as Schedule C, but a lower annual operating fee



3. Amend Rule 301 Retain Processing Fees for Application Rejections

Background

- Upon receipt, staff determine whether an application can be deemed complete
 - Administrative staff review the application for administrative completeness
 - Engineering team reviews the application for technical completeness and may request additional information
 - If not provided, the application is rejected and all fees are refunded; staff review time is not recovered
 - If provided, or no additional information is needed, the application is deemed complete
 - If the applicant cancels the application after it is deemed complete but before evaluation begins, fees are refunded with a cancellation fee retained

Key Proposed Change

- If an application is rejected by the assigned permitting engineer, a rejection fee equal to the application cancellation fee (\$310.14) will be retained to recover engineering staff review time



4. Amend Rule 303 Clarify Hearing Board Filing Fees

- **Background**
 - Facilities applying for a variance are charged filing fees based on Table III of Rule 303
 - Common for facilities to file multiple variances by one petition in one form
 - Existing language leaves some uncertainty regarding the filing fee for petitions with multiple variances in one form, particularly in the case of a petitioner filing for an ex parte variance and another variance
- **Key Proposed Changes**
 - Clarify Rule 303 (a)(1) to indicate petitioners shall be charged for each line item on Table III for each petition



5. Amend Rule 303 Clarify Hearing Board Refund Fees

- **Background**
 - Common practice is to submit multiple variances simultaneously in one petition form, then withdraw variances that are not needed
 - For Example, a petitioner applies for ex parte, interim, and short variances in one petition form, and is granted the ex parte variance but withdraws the remaining interim and short variance
 - Currently 50% refund is granted to entire filing fee if a petition is withdrawn
- **Key Proposed Changes**
 - Amend Rule 303 (b)(2) to indicate refunds shall not apply to any variance on which the Hearing Board has taken an action



6. Amend Rule 303

Remove Consent Calendar Fees

- **Background**

- Facilities applying for a variance are charged filing fees based on Table III of Rule 303
- There is a fee schedule for petitions to be placed on the Consent Calendar of the Hearing Board. In practice, petitions submitted as standard variances are moved to the Consent Calendar only after Hearing Board approval
- Additionally, Consent Calendar items require nearly the same amount of staff time for processing as standard variances, despite having a much lower fee

- **Key Proposed Changes**

- Remove Consent Calendar items from Table III



7. Amend Rule 303

Correct and Update Toxic Air Contaminant Fees

○ Background

- Petitioners applying for a variance are charged fees based on the excess emissions due to the temporary violation of South Coast AQMD Rules
- Toxic Air Contaminants (TACs)
 - Added to the excess emission fee schedule in 1990, evaluated in dollars per pound
 - 2013 amendment of Rule 303 mistakenly removed the Toxic Air Contaminant table header, leading to TAC excess emissions being mistakenly evaluated in dollars per ton
- Diesel Particulate Matter (DPM)
 - In 2019, Rule 301 was amended to include DPM as a TAC on the basis of time spent by South Coast AQMD staff, high cancer potency, and prevalence in the South Coast Air Basin
 - DPM should have also been included in Rule 303 as a TAC for excess emission evaluation
 - Fee amount for TACs in Rule 303 is based on the order of magnitude of the unit risk factor
 - DPM unit risk factor is the same order of magnitude as nickel



7. Amend Rule 303 Correct and Update Toxic Air Contaminant Fees

- **Key Proposed Changes**
 - Restore Toxic Air Contaminant in Dollars per Pound header to Table I of Rule 303, as a correction
 - Add Diesel Particulate Matter to Table I as a Toxic Air Contaminant at a fee of \$22.98 per pound
 - Same fee rate as for nickel



8. Amend Rule 303 Excess Emission Administration Fees

- **Background**
 - For variances resulting in excess emissions, staff time is required to review, calculate, and/or verify the excess emissions
 - Rule provides no mechanism to recover costs for staff time spent
 - Incomplete submittals for excess emission determination often cause additional resource impacts
- **Key Proposed Changes**
 - Add Rule 303 (d)(4) and (k)(3) creating administration fee at standard time and materials rate, and requiring petitioner to submit emission calculations that clearly explain the basis for the proposed excess emission fees



9. Amend Rule 301 Remove CEMS Review Maximum Fees

- **Background**
 - Evaluation of Continuous Emissions Monitoring Systems (CEMS) and similar systems is listed in Rule 301 (j)(5) and Table IIB of Rule 301
 - Table lists basic fees, hourly rates, and maximum fees
 - Evaluations are complex and can require many hours of time, beyond maximum fee limit
- **Key Proposed Changes**
 - Remove maximum fees for evaluation of CEMS, FSMS, and ACEMS
 - Applicants will be charged a basic fee plus the actual excess hours beyond the basic hours spent on the evaluation
 - The hourly fee rate remains unchanged



Proposed Amended Regulation III - Fees



Proposed
Amendments with
Administrative
Changes Only



Proposal 1

- Amend Rule 301
- Clarify Public Notice Distribution Fee



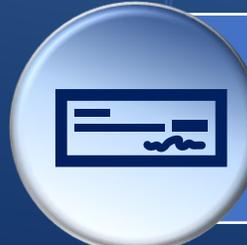
Proposal 2

- Amend Rule 301
- Clarify CEQA Evaluation and Preparation Costs



Proposal 3

- Amend Rule 301
- Change Emission Reports and Payments Deadlines



Proposal 4

- Amend Rule 301
- Clarify Clean Fuels Fee



Proposal 5

- Amend Rule 301
- Allow Periodic Invoicing for Title V Permit Applications



1. Amend Rule 301 Clarify Public Notice Distribution Fee

- **Background**
 - Rule 301 was amended in 2025 to add a provision to recover costs when the South Coast AQMD distributes public notices on behalf of the applicant
 - Cost is incremented by CPI as part of routing updates to Reg III annually
 - Need to specify which date is the basis for determining this fee
- **Key Proposed Changes**
 - Amend 301 (j)(4) to clarify applicant should pay the fee based on the date the application was deemed complete
 - Consistent with the timing approach for determining permit processing fees



2. Amend Rule 301 Clarify CEQA Evaluation and Preparation Costs

- **Background**
 - When South Coast AQMD acts as Lead Agency or Responsible Agency under California Environmental Quality Act (CEQA), it prepares or oversees the preparation of required CEQA documents
 - Under existing practice, the agency recovers costs associated with this work, including staff time for determining CEQA applicability and preparing the appropriate documents
 - Current rule language does not describe full range of CEQA-related activities with costs that are recovered in practice
- **Key proposed changes**
 - Add clarification that South Coast AQMD also acts as Responsible Agency under CEQA
 - Provide a more comprehensive description of the scope of CEQA-related activities with costs that are recovered in practice



3. Amend Rule 301 Change Emission Reports and Payments Deadlines

- **Background**
 - CARB's Criteria and Toxics Reporting (CTR) regulation is administered through South Coast AQMD's Annual Emissions Reporting (AER) for affected facilities in our jurisdiction
 - Expecting reporting for approximately 26,000 facilities by 2027
 - Current deadline is 75 days following January 1 for annual emission reporting and payment
 - More time is needed to process additional reports
 - Clarification is also needed for due dates in the rule language
- **Key Proposed Changes**
 - Set April 1st as the official due date for annual emission reporting and payment
 - Update other due dates accordingly
 - September 14, instead of 75 days following July 1 for Semi-annual and clean fuels fees (same date)
 - May 14 or November 1, instead of 120 days following January 1 or July 1 (45 days after annual or semi-annual due dates) for failing to pay those fees, the trigger for revoking permits



4. Amend Rule 301 Clarify Clean Fuels Fee

- **Background**
 - Health and Safety Code Section 40512 requires facilities with certain criteria emissions to pay an annual clean fuels fee
 - Facilities pay fees on Volatile Organic Compounds, Nitrogen Oxides, Sulfur Oxides, or Particulate Matter for any pollutant that exceeds 250 tons per year
- **Key Proposed Changes**
 - Clarify language to make clear that exceeding 250 tons for *any* of the pollutant will trigger fees



5. Amend Rule 301 Periodic Invoicing for Title V Permit Applications

- **Background**
 - Initial Title V Permits and Title V Renewals can take considerable time to fully complete
 - Results in very large time and materials charges for these applications
 - Periodic invoicing would allow facilities to pay the fee by installments at set periods, such as quarterly rather than a large lump sum upon completion
- **Key Proposed Changes**
 - Change 301 (m)(3)(B) and (m)(5) to allow applicants to pay accrued fees upon request for both initial Title V Permits and Title V Renewals



Proposed Amended Regulation III - Fees



Public Process



Next Steps



April 2, 2026

Budget Advisory Committee Meeting



April 7, 2026

Public Consultation #2 on Proposed Budget and Work Program and PAR III



April 10, 2026

Administrative Committee Governing Board Budget Study Session



April 14, 2026

Written Comments Due



May 1, 2026

Public Hearing



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Proposed Amended Regulation III - Fees



Open
Discussion



Open Discussion

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